

Message Text

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PAGE 01 PEKING 01436 150241Z

ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 DODE-00 EB-07 NSAE-00
USIA-06 TRSE-00 ERDA-05 CIAE-00 COME-00 OES-07
/047 W

-----061590 150437Z /13

R 150208Z JUL 77

FM USLO PEKING

TO SECSTATE WASHDC 8192

INFO AMCONSUL HONG KONG

AMEMBASSY PARIS

AMEMBASSY TOKYO

C O N F I D E N T I A L PEKING 1436

E.O. 11652: GDS

TAGS: ETRD ESTC CH

SUBJ: LITTON RESOURCES SEISMIC EXPLORATION EQUIPMENT

REF: 76 PEKING 0039

1. SUMMARY: PAUL E. MADELEY OF LITTON RESOURCES SYTEMS
CALLED AT USLO JULY 13 TO DISCUSS HIS CONVERSATIONS
WITH MACHIMPEX ON A SHIP-BOARD SEISMIC EXPLORATION
ARRAY AND HIS PROBLEMS IN GETTING AN EXPORT LICENSE.
END SUMMARY

2. MADELEY SAID THAT HE HAD HAD PROBLEMS IN GETTING
EXPORT LICENSES FOR HIS SALE AND HAS RECEIVED NO
DEFINITIVE ANSWER ON HIS REQUEST FOR A LICENSE IN
A YEAR AND A HALF SINCE THE SIGNATURE ON
JANUARY 6, 1976. HE SAID THAT TWO PROBLEMS HAVE
BEEN RAISED, APPARENTLY BY NAVY. ONE IS A MARINE
STREAMER CABLE SIMILAR TO ONE SOLD BY GEOSPACE
INDUSTRIES TO ROMANIA IN 1970. MADELEY SAYS HE
FRANKLY DOES NOT UNDERSTAND THE REASON THAT
THIS HAS NOT BEEN APPROVED SINCE THE
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TECHNOLOGY, AN OIL-FILLED PLASTIC TUBE
WITH PRESSURE TRANSDUCERS, DATES FROM THE
1940'S AND IS SIMPLE ENOUGH TO BE MADE OR
REPAIRED BY THE CHINESE THEMSELVES. MADELEY SAID,
HOWEVER, THAT THE CHINESE TOLD HIM THAT IT WOULD NOT BE
NECESSARY TO INCLUDE THIS ITEM IN THE CONTRACT
SINCE THEY HAD RECEIVED A CABLE FROM FRANCE

IN JUNE. MADELEY SAYS HE UNDERSTANDS THE SIMILARITY OF THE SEISMIC EXPLORATION ARRAY TO THAT USED FOR ANTI-SUBMARINE WARFARE BUT THAT HIS ARRAY IS DESIGNED SPECIFICALLY FOR SEISMIC PURPOSES AND CANNOT BE DIVERTED TO ASW USE.

3. THE SECOND PROBLEM IS WITH THE LITTON "PRE-SEIS" FLOATING POINT ARRAY PROCESSOR COMPUTER, SIMILAR TO ONE SOLD BY GEOSPACE TO CHINA THREE OR FOUR YEARS AGO. THE PRIMARY DIFFERENCE, HE SAYS, IS THAT THE GEOSPACE ARRAY WAS TO BE USED ON LAND AND NOT ON SHIPBOARD LIKE THE LITTON COMPUTER. HE BELIEVES THE PRC WILL BE WILLING TO USE HIS COMPUTER ON LAND TO PROCESS TAPES SENT FROM THE SHIP.

4. MADELEY SAID THAT HE RAISED THE POSSIBILITY OF LEASING SEISMIC EQUIPMENT TO THE PRC (WHICH HAD BEEN SUGGESTED TO HIM IN WASHINGTON AS OFFERING BETTER ACCESS FOR END-USE PURPOSES). THE IDEA HAD APPARENTLY NOT OCCURRED TO THE CHINESE, WHO SHOWED GREAT INTEREST, ALTHOUGH THEY MAY BE LESS INTERESTED WHEN THEY DISCOVER THAT A YEAR'S LEASE IS ROUGHLY ONE-THIRD OF THE PURCHASE PRICE OF THE EQUIPMENT.

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5. LITTON IS STILL INTERESTED IN SELLING OR LEASING TO THE PRC A SURVEY SHIP, SPECIFICALLY THE FORMER "GULFREX." HE BELIEVES THAT THE PRC HAS LEASED A SIMILAR FRENCH EXPLORATION VESSEL IN THE PAST. IN VIEW OF STRONG NAVY OPPOSITION TO THE SALE OF ANY VESSEL TO THE PRC AND IN VIEW OF PRC PAST EXPERIENCE IN CHARTERING OTHER TYPES OF VESSELS, HE BELIEVES THAT LEASING MAY BE THE PREFERRED WAY OF HANDLING THE PROBLEM.

6. MADELEY SAYS THAT HE HAS BEEN VERY DISTRESSED NOT TO RECEIVE A DEFINITIVE ANSWER AFTER A YEAR AND A HALF ON HIS REQUEST FOR EXPORT LICENSES AND PLANS TO VISIT THE JOC ON HIS RETURN TO ASK FOR IMMEDIATE DECISIONS ON INDIVIDUAL ITEMS IN THE LITTON SEISMIC EXPLORATION ARRAY. THE PRC NOW SAYS IT IS WILLING TO TAKE COMPONENTS OF THE ARRAY SEPARATELY ALTHOUGH IF THE TWO COMPONENTS MENTIONED ABOVE ARE REMOVED, THE VALUE OF THE CONTRACT WILL BE REDUCED TWO MILLION DOLLARS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EXPLORATION, EQUIPMENT, SEISMIC DATA, STRATEGIC TRADE CONTROLS
Control Number: n/a
Copy: SINGLE
Sent Date: 15-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977PEKING01436
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770251-1272
Format: TEL
From: PEKING
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770753/aaaabtjq.tel
Line Count: 114
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 0e46c06a-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 PEKING 39
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1848683
Secure: OPEN
Status: NATIVE
Subject: LITTON RESOURCES SEISMIC EXPLORATION EQUIPMENT
TAGS: ETRD, ESTC, CH, LITTON RESOURCES SYSTEM, (MADELEY, PAUL E)
To: STATE
Type: TE
vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/0e46c06a-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009